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**Deutsche Bank**

**Deutsche Bank National Trust Company  
Product Overview - VRDO**



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## VRDO Overview

### What is a Variable Rate Demand Obligation (VRDO) ?

- Variable Rate Demand Obligations (VRDO) are short-term, tax-exempt fixed instruments with yields that are reset on a daily, weekly, monthly, quarterly, or other periodic basis (as defined in the Trust Indenture).
- VRDOs are considered short-term securities with liquidity provided with a “put” feature that occurs with the timing of yield reset (daily, monthly, quarterly).
- VRDOs provide investors with an ability to invest in a high quality/high liquid tax-exempt instruments.
- VRDOs are utilized by a variety of issuers including state and local governments. Examples: Water, Sewers, Universities.
- Most VRDOs are supported by a liquidity provider or letter of credit (LOC) bank or Stand-by Bond Purchase Agreement (SBPA).

## How VDROs work

- Bondholders tender bonds with put feature that allows for short-term rates with advance notice to tender agent.
- Trustee notifies the issuer, remarketing agent, liquidity provider, and insurer of the tender.
- Remarketing agent finds a new buyer.
- Trustee facilitates the transfer of payments and principal and interest between buyer and seller.

## VDROs – Trustee role

- Liaison between issuer/obligor, remarketing agents, underwriters, and Financial Advisors.
- Receives interest through webfeed and prepares calculation tables to calculate periodic interest for Debt Service.
- Draws on LOC for Debt Service funds due or requests funds from obligor (dependent on specific provisions of agreement).
- Monitors LOC maturities to ensure extensions/replacements done timely for seamless transition.
- Settles tenders through Trustee Operation Center.
- Maintains logs to reflect principal reductions of LOC and Bond debt due to redemptions/maturities.



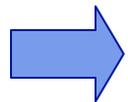
## VDROs – Trustee role for failed Remarketings of Tender Bonds

- Trustee coordinates with Liquidity Bank and draws on LOC/Liquidity Facility to fund and pay the failed tender.
- Trustee delivers bank bonds to liquidity bank.
- Trustee requests bank bond cusip.
- Coordinates with liquidity bank to deliver bank bond position

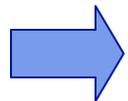


## VRDOs – Trustee compliance duties

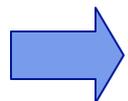
The trustee places a high value on ensuring:



Accuracy and Compliance



Best Practices



An excellent standard of care

- The trustee uses a four eye policy to confirm payment schedules and amounts.
- The trustee adheres to very specific tender procedures such as timely presentation by bondholders.
- Trustee ensures daily coordination with Trustee Operations Center to confirm successful remarketings.



## SWAPs -Trustee role

- Trustee role is directed by issuer/obligor
- Trustee not party to SWAP agreement
- Trustee receives periodic SWAP differential payments, which are typically kept in trust for DS interest payments
- Trustee pays periodic SWAP payment as directed

